

NEW TAX REGIME

REVENUE GENERATION OR VALUE ADDITION?

**'OUR FOCUS IS TO STIMULATE
AND GROW THE ECONOMY'**

...Zacch Adedeji, FIRS boss



Zacch Adedeji, chairman, Federal Inland Revenue Service (FIRS), in this interview with BusinessDay's Wasiu Alli, speaks on two years of his headship of the apex tax agency, the reforms of President Bola Tinubu and what the economy stands to gain from this year.

It is two years since you took over as chairman of the Federal Inland Revenue Service (FIRS). How has the journey been and what would you give as your achievements in the agency?

When we set out on this journey, our mind was set on reforming the fiscal landscape of Nigeria and consequently changing the revenue structure of the Federation. To the glory of God, two years on, the figures are justifying that the reforms we embarked upon were the right steps to take. Let me start from the latest evidence, for the first time the three tiers of government shared a record monthly allocation in excess of N2 trillion. States and local government councils are now more empowered to carry out their responsibilities to Nigerians in their domains. Nearly 70 percent of what the three tiers of government gather every month to share comes from tax revenue collected by FIRS. This is an eloquent testimony to the reforms spearheaded by President Bola Ahmed Tinubu. So, all credits must go to the president for the courage he has demonstrated in leadership by setting the economic fundamentals right in order for the reforms to bring plenty fruits and gains for the federation. By removing subsidy on petrol and collapsing the hitherto dual exchange rate windows, floating the naira consequently, the health of the Federation account has blossomed greatly, as there are no bogus subsidy claims that would naturally have depleted the accruals into the pool. In addition to these, the president in his inaugural speech, promised to make his industrial and economic policy one that will remove hurdles in the way of businesses. As a follow up to that, he set up a committee

which worked so hard with other stakeholders to bring about the new tax laws that will go into effect from January next year. This is the best thing that has happened to Nigeria's fiscal ecosystem since independence in 1960. The president has fulfilled his promise to make businesses flourish by removing all burdens and hurdles. This has been done with the new tax laws which will eliminate multiple taxes. The president said we should not have more than single digit tax types and that has been achieved now. The various tax laws which are scattered in several legislations have now been consolidated and streamlined into a single document. Tax is not easy to collect anywhere in the world and it will be made more difficult if taxpayers go through unnecessary hurdles before they can pay taxes. The fact that these laws were scattered in various legislations gives room for different applications and make compliance cumbersome. But all that is history now. Perhaps the biggest deal for Nigerians is that food, education, shared transportation, agriculture is going to be VAT-free. This will have positive effect on more than 80 percent of Nigerians. This is in addition to the tax adjustment of personal income of those in the low-income brackets. Small businesses with turnover of N50 million will not pay tax. All these go to show that President Tinubu is a compassionate leader who knows there the shoes pinch for businesses. A more business-friendly environment has now been created with these new laws.

As an agency, FIRS has grown in leaps and bounds in the last two years. Carrying out the president's mandate, we re-structured our internal operations from the functional

tax typologies to a customer-centric approach. Now, all tax types are paid at a one-stop shop. How do I mean? We put the taxpayers into the emerging tax, medium and government tax as well as large tax buckets. The categorization is done according to the turnover thresholds of the companies, with those having turnover of N5 billion and above in the large taxpayers' bucket. What this means is that these companies pay all the tax types they need to pay at a single tax office which caters for their categories. We no longer have a situation where several offices or units are writing to the same company and asking for different things about the VAT or CIT and so on. This has





engendered a shift in the mental geography of our staff and has seen a transition to a Federal Inland Revenue Service that is customer-focused. We are service providers to the taxpayers rather than coming across to them as a tax law enforcement agency. Non-oil tax revenue has grown exponentially and for the first time in a long while, we met and surpassed our oil and gas tax revenue target for this year, thanks to the improved security situation in the country which has energized the oil companies to grow and make profits.

Do you think the economy has really turned the corner? Critics say much has really not changed for the country and its citizens since the president took over in 2023.

Even you journalists know that it will be inaccurate for anyone to come with such claims. Yes, the removal of subsidy on petrol created some disruptions in the living conditions of most Nigerians. Transportation costs went up, as did prices of goods and services. The disruptions can be likened to the pain of a woman in labour. After she is delivered of the baby, comfort and bliss will follow. To cushion the effect, President Tinubu came up with the compressed natural gas initiative which has seen millions of vehicles converted from petrol to CNG. CNG buses were also procured and distributed to states. From the height that it went earlier in the year, petrol price is coming down. Don't forget that we also came up with the crude-for-naira initiative which is helping local refiners get access to crude oil in naira. The exchange rate that went up is also coming down. The FX market has navigated away from arbitrage which used to be the order of the day. Foreign airlines and others were owed \$7

billion by Nigeria. President Tinubu came and cleared the debt. About 90% of revenue was devoted to servicing debt, but the rate has gone down to about 50% in two years. The tax-to-GDP ratio was 10% when we took over, now it is 13.5%. But that is not where we are going. We are aiming to beat Africa's average of 15% and achieve 18% by 2027. External reserves have climbed up to \$41 billion. The Nigeria Education Loan Fund (NELFUND) created by President Tinubu has seen almost N90 billion disbursed to over 450, 000 students across the country. There are many road projects going on and some completed across the country, covering all the six geopolitical zones. These roads are opening up economic corridors across the country. Federal allocations to state have grown by almost 70%, enabling them to enjoy a great level of fiscal stability and debt management. According to the figures from DMO, about 30 states repaid N1.85trillion in debt over 18 months. We should keep these figures in perspective when x-raying this administration.

What is the truth about this 5% surcharge on petrol?

The problem with the people bandying this about is either that they don't read or they read but do not understand. In my earlier comments, I said there were many laws about taxes which were scattered in various legislations, making compliance difficult for taxpayers. To remove the burden, we harmonized these laws into a single document and one of such laws is the petrol tax. The law had existed under the FERMA Act 2007 and the purpose was to use the money therefrom for road maintenance. The new law lays down the procedure for this provision to come into effect.

There must be a commencement order from the minister of finance which will be publicly announced and also gazetted. So, it does not automatically mean that this provision will go into effect from January next year. Remember, one of the first set of reliefs President Tinubu brought to Nigerians was to remove 7.5% VAT on diesel. Is it that same president that will now impose additional cost on petrol for the citizens at this time?

One of the measures that you put in place when you assumed office was the concession you granted businesses, that is granting a waiver on interest and penalties, a kind of amnesty for businesses to extinguish their tax liabilities. Kindly share with us, the impact this had on compliance?

It had a wonderful impact on voluntary compliance which is actually our goal. We believe taxpayers are not criminals who should be pursued with horsewhip. We are also clear in our minds that we are not a law enforcement agent. President Tinubu has always reminded us that our plan is to make sure that we remove hurdles and create conducive environment for businesses to flourish. And if you look at what happened over a year ago, talking about the cashless policy, a lot of businesses were struggling which was the reason they could not pay their taxes as and when due. So, the President, in his magnanimity, approved that we waive interest and penalty on tax liabilities for those owing to be able to pay. The President realized that it is when the businesses do well that FIRS, as a consequential agency, will also do well. What we did at the end of last year with the waiver policy was to help businesses do well. The business entities owing us actually took the opportunity to pay up all their outstanding liabilities, and that was one of the reasons we surpassed our target for 2023. We are doing many things now to ensure that taxpayers are not defaulting.

What was the rate of compliance on that initiative?

Honestly, we had more than 75 percent compliance rate at that time because the taxpayers actually saw seriousness and honesty in what the government is doing and they responded positively. You keep saying that you want businesses to prosper. But multiple taxation is one of the things that businesses still complain about. We know that the President has set up the Taiwo Oyedele-led Committee to work on harmonization of these taxes. Are you working with them; what are the things that you have been able to do in this regard? Actually, we are part of them. On the issue of multiplicity of taxes, we cannot over-emphasize the President's directive that at the end of the Committee's assignment, we will have a single digit type of taxes in the country, meaning that we will have a maximum of nine tax types that we are paying. Based on the research that we have done, only eight tax types account for more than 90 per cent of the tax revenue we collect. That means the remaining 54 tax types are impediments to business growth and the President has directed that these tax types should be removed. I know, in the next few weeks, when the report of the committee becomes public, people will see the wonderful work that

has been done by the committee.

Are there some achievements so far you would like to highlight?

Generally, our success is founded on the fundamentals of economic development being set right, which is what the President has done and this is the bedrock of everything that we are doing. The administration is investing heavily in infrastructure and food security which are the foundations for industrialization. The President is committed to the welfare of the people and then we have a wonderful team, the ones you know and those working behind the scenes to make sure that Nigerians are happy and prosperous.

Is there any area that you think that tax incentives might be helpful to economic growth?

Tax incentive on its own is not bad. Everywhere in the world, you have targeted incentives that governments do. For instance, if you look at the way we localized cement production in Nigeria, they were given tax holiday for 10 years. Government allowed cement companies to bring in equipment. But today, if you look at the tax revenue collected from cement manufacturers, it is more than all the taxes collected from all the banks in Nigeria. These cement manufacturers were given incentives at a point. But what we are saying now is that all incentives must be measured and reviewed to know if it is the right thing to do or not. So, there is nothing bad in incentive and it is a part of the fiscal policy to actually stimulate the economy.

Apart from the cement industry that has benefited from that, is there other industry which has benefited?

A few months ago, the President signed three Executive Orders on gas production in Nigeria. I foresee that in the next three to five years, we will see the benefit of that kind of incentive that the President has given for gas production, given the green posture of the world.

How are you making it easier for the average Nigerian to comply with their tax obligation?

That is actually our duty. That is why I said that we have services within FIRS that support taxpayers. I have said that we now have a customer-centric attitude. Before now, we used to have VAT and Stamp Duty offices separately. But now, we have provided a one-stop shop for taxpayers as part of measure to simplify tax payment by removing all the hurdles in the way of our customers. So, if you are a large taxpayer, you can just go to one office to clear your VAT, Withholding, Company Income Tax and any other form of tax you are paying. And even audit is done within the same shop. The era of multiple audit is gone. People have begun to feel the impact of the restructuring we have done. We have made it easier to use technology. People can do everything from the comfort of their homes and offices. And if you are complaint, you won't even receive any update from us, because like I said, our aim is to make sure you do well because it is in your prosperity that we also prosper.

Why was FIRS changed to Nigeria Revenue Service and



Workers celebrate FIRS boss over enhanced welfare package

what should taxpayers expect from the agency when it goes full throttle next year?

Let me start from what the taxpayers should expect from us. They should expect a fair tax administration that will also come without hassles. Our core mandate is simple: assess, collect and account for revenue accruing to the Federation. In doing this, we will be fairer as a tax authority and continue to provide quality service to our only customers, that is, the taxpayers. The president has done a lot in bringing reliefs to Nigerians and businesses with the new tax laws. Compliance should be easier now and of course our advocacy has been on voluntary compliance. Do the right thing at all times and don't wait till our tax people visit your premises. If they have any issue, they should get in touch with us. With the new tax laws, evasion will be pretty difficult. Companies should be diligent in their tax planning. Those who still think they can find a way to game the system will find out that evasion or trying to cut corners will be costlier than being compliant and honest. There is one proverb in my language, "If the main course is not satisfying, there is nothing anybody can give you as a gift that will be enough." So, if within, we cannot develop Nigeria, nobody will come and develop it for us. President Tinubu's mantra has always been: "I'm not here to tax poverty; I'm here to tax prosperity. My government will tax the fruits of your investments and not the seeds."

When companies are doing well and are making profits and are expanding their operations, we will benefit from their doing well.

The tax rate is simple. If the base is 10, we will have three. If the base increases to 20, we will have six. If the base increases to 30, we will have nine. So, if I want to have more, it's not by going on an aggressive revenue drive. It is to help the companies to do well and that is when I will do well too. So, that is why, for us at Nigeria Revenue Service, we are here to remove all the hurdles in the way of our taxpayers. This is what President Tinubu has done with the new tax laws. He has fulfilled his electoral promise and we should all commend him for being a promise keeper. On why we are changing from Federal Inland Revenue Service to the Nigeria Revenue Service, the word federal in the name of the agency gives the erroneous impression that we are only collecting tax revenue for the federal government. When you say 'Inland', it wrongly means we are only collecting money from Nigeria, which is not what we are doing. I will give you examples. We collect VAT, 90% of which is for states. When you therefore say 'federal', it means we are not representing what we do. The new name, NRS, shows we are the sole tax authority for all revenue collection for the Nigerian federation according to our laws.